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Report of the Joint Inspection Unit on the United Nations system common services at Geneva

Note by the Secretary-General

The Secretary-General has the honour to transmit for the consideration of the members of the General Assembly his comments, as well as those of the Administrative Committee on Coordination, on the report of the Joint Inspection Unit entitled: "The United Nations system common services at Geneva, part I, Overview of administrative cooperation and coordination" (see A/53/787).

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Comments of the Secretary-General and the Administrative Committee on Coordination on the report of the Joint Inspection Unit on common services of the United Nations system at Geneva

I. Introduction

1. The stated purpose of the report prepared by the Joint Inspection Unit on common services of the United Nations system at Geneva was to provide a coherent framework for the creation and strengthening of a unified, comprehensive and centralized common services entity among United Nations organizations located at Geneva in order to enable them to rationalize their overhead structures and costs and to concentrate diminishing resources on their constitutional mandates.

2. The report is focused on Geneva-based organizations which, despite their close proximity to each other and the many institutional commonalities embedded in the framework of the United Nations common system, operate very few services in common, leading in many instances to the existence of parallel support services among United Nations entities governed by the same Charter. The report presents a review of expenditures and staffing patterns and highlights some possible constraints and commonalities among the Geneva-based secretariats. In addition, it analyses the pattern of administrative cooperation and coordination that exists in Geneva, and reviews the centrality of the common services of the United Nations Office at Geneva in the development of new administrative arrangements. It also proposes a new framework for cooperative approaches to the management and delivery of support services.

3. The Inspectors have undertaken a detailed review of current collaboration among United Nations entities at Geneva and have made recommendations aimed at revitalizing and strengthening common services at Geneva, namely, through the creation of a new framework as described in the report, the establishment of a common services committee and strengthening regular and coherent oversight of those common services.

4. The importance of common services as a primary instrument for a coherent, cost-effective and streamlined United Nations system is emphasized by the fact that it is one of the planks in the reform priorities of the Secretary-General. As stated in the report of the Secretary-General, entitled "Renewing the United Nations: a programme for reform" (A/51/950 and Add.1-7), the future success of the United Nations

> "... hinges on its ability to achieve a unity of purpose among its diverse departments, funds and programmes, enabling it to act coherently and deploy its resources strategically. In addition, alliances and partnerships with the specialized agencies and other organizations must become part of normal organizational routine" (A/51/950, para. 18).

5. The report of the Joint Inspection Unit is based on data and other base-line information gathered from the secretariats of the United Nations organizations at Geneva, on the basis of a questionnaire circulated by the Joint Inspection Unit.

6. The comments below draw on the views of the Office of Central Support Services of the United Nations Secretariat and have been reviewed on behalf of the Administrative Committee on Coordination.

II. General comments

7. The Secretary-General has studied with interest the main objectives and general guidelines for the new framework of the common services contained in the report of the Inspectors. The thrust of the report is in line with the strategy of the Secretary-General to expand and strengthen common services (see A/51/950, paras. 242 and 243) and with the vision of the Director-General of the United Nations Office at Geneva and his efforts to consolidate that Office, which have been undertaken since 1993. The comprehensive management reform at the United Nations is aimed at improving the quality of the services provided and at enhanced cost-effectiveness. The contents of the report are useful in reviewing the course of action and progress achieved at the United Nations Office at Geneva and provides interesting material for the consideration of other Geneva-based organizations.

8. The common services strategy of the reform proposal of the Secretary-General is being pursued by the Assistant Secretary-General for Central Support Services of the United Nations Secretariat, who was appointed the Executive Coordinator for Common Services and is responsible for the implementation of the strategy at other United Nations duty stations, including Geneva. His focus is on finding practical ways and means of reinforcing the notion of "One United Nations", in which the pooling of resources and standardization of the practices of various entities should allow organizations to create synergies from their respective strengths. The objective is to ensure that consolidated support services are cost-effective, of high quality, timely and provided on a competitive basis, and result in full client satisfaction. This requires: a clear price structure for common services; a transparent system of budgeting and reimbursement; accountability to clients for the delivery of services and relevant user feedback mechanisms; harmonization of regulations, rules, policies and procedures; and realization of economies of scale and selective outsourcing. This also requires an orientation towards enhanced service.

9. The action taken by the Executive Coordinator with a view to achieving the above-mentioned goals is focused on:

(a) Establishing and/or supporting multi-organizational groups dealing with planning, coordination and implementation in the area of common services;

(b) Developing the evaluation criteria according to which choices can be made among common services modalities, including, *inter alia*, lead agency approaches, outsourcing, umbrella agreements and electronic procurement facilities;

(c) Pursuing the harmonization and synchronization of different operational instrumentalities.

The analysis and recommendations of the Inspectors provide valuable contribution to this work.

10. The focus of the report is on creating and strengthening a unified, comprehensive and centralized common services entity. It should be noted, however, that, in his reform proposals, the Secretary-General emphasized decentralization of functions, together with a corresponding delegation of authority to programme managers in such areas as procurement, human resources management and results-based budgeting. Other Geneva-based organizations have taken similar initiatives. Centralizing such functions under a single administrative entity at Geneva would be contrary to such an emphasis. Thus, the question remains as to how an approach relying on an expansion of common services, which would further their centralization in order to obtain presumed economies of scale, can be reconciled with the policy of further decentralization in the context of management reforms. The issue becomes even more complicated when common procurement, personnel and budgetary services covering all organizations and specialized agencies at Geneva are considered, since those entities have, *inter alia*, different mandates, funding sources and modalities, varying budgetary and financial rules, and divergent personnel policies and procedures. It is not obvious that any economies of scale can be achieved through unifying a multitude of non-uniform processes.

11. Members of the Administrative Committee on Coordination share the view that it is not necessarily always true that pooling administrative services is inherently more cost-effective than providing them separately for each organization. Organizations caution against potential diseconomies of scale in the form of higher complexity, possibly conflicting priorities of client organizations, and differing quality and technical standards, all of which are likely to compromise the operational objectives of some common service ventures.

12. The report could also have benefited from the consideration of alternatives to the centralized approach that it stressed. One alternative could be the approach taken at the United Nations Office at Vienna, where the administration shares common service responsibilities with the other organizations at Vienna. Although separate administrations exist, each specializes in those functions for which it is best suited, thus effecting cost savings for all. An analysis of the consequences of such an approach as they relate to user satisfaction, especially with respect to prioritization of the requirements of each organization, would also have been beneficial.

13. In considering the issue of common services, it is important not to lose sight of the distinction between routine and recurrent support services (such as mail and pouch, payroll, telecommunications and computers, and language and management training)

and those that repeatedly require decisions to be made (such as personnel, management and budgeting). Experience shows that the former yield much more easily to a pooling approach, while programme managers are reluctant to relinquish control over the latter areas, which more directly affect the substance and success of the programmes for which they are accountable. Therefore, it is not only the quality of services but also the issue of sharing in the decision-making process that needs to be tackled in designing the optimal set-up for common services.

III. Comments on the recommendations

Recommendation 1. New framework for common services of the United Nations system at Geneva

In order to give full effect at the Geneva duty station to common service provisions in the relationship agreements between the United Nations and the specialized agencies, the General Assembly and the competent organs of the specialized agencies located at Geneva may wish to endorse the new framework proposed in the report of the Joint Inspection Unit on common services at Geneva, and require the secretariats concerned to report biennially on its implementation in the context of their draft programme budget submission

Recommendation 2. Revitalization of common services at the United Nations Office at Geneva

In pursuance of recommendation 1 above, the Secretary-General should consider refining and implementing, as appropriate, the revitalization measures recommended for common services at the United Nations Office at Geneva, including the establishment of a common services committee chaired by the Director-General of the Office, as well as the possible appointment, at the appropriate time, of a high-level official to foster broad common services objectives and arrangements at the Geneva duty station

14. The Secretary-General accepts the above two recommendations and agrees that strong ownership by all participating organizations is essential. He shares the view that, for common services to be viable, there should be a clear and unambiguous agreement between the service provider and the clients on a broad range of pivotal issues, such as the scope of services, quality and timeliness, compensation formulae and decision-making mechanisms. The Secretary-General will initiate action to establish the management ownership committee at Geneva under the chairmanship of the Director-General of the United Nations Office at Geneva, with the periodic participation of the Executive Coordinator for Common Services. The Secretary-General does not support the idea of establishing a high-level post at Geneva for the coordination of common services, since adding another senior executive level to the present structure would not be cost-effective.

15. The Administrative Committee on Coordination also agrees that strong ownership by all participating organizations is essential. The ability of the United Nations Office at Geneva to provide a strong, effective and reliable lead in the integration of common services is crucial to ensuring that organizations do not choose individual arrangements to guarantee efficient support services for their own programme implementation. It is understood that any attempt to merge some of the common services should be undertaken with full transparency and with due regard for the mandates, roles and tasks of the individual organizations.

16. The plan of action of the Secretary-General concerning common services at Geneva envisages first, the full streamlining of the existing arrangements and, second, the establishment of new structures and/or processes as proves necessary. The new management ownership committee at Geneva would determine the scope and pace of implementation of new arrangements for common services. As the first step, the United Nations Office at Geneva is holding round-table meetings with the end-users of its support services in order to formulate priorities for process improvements and enhance the quality and efficiency of its services.

Recommendation 3. Intergovernmental oversight of common services at Geneva

The General Assembly may wish to consider the most effective arrangements for strengthening regular and coherent oversight of Geneva common services, including a more active role by the Geneva Diplomatic Committee, as well as the convening of more periodic meetings of the Advisory Committee on Administrative and Budgetary Questions at Geneva focused specifically on issues of administrative and budgetary coordination amongst the Geneva-based secretariats and entities

17. The Secretary-General concurs with the above recommendation.

18. Organizations point to the need to avoid proliferation of often conflicting internal and external governance and oversight arrangements. For example, there is often a conflict between demands for increased accountability and a leaner administration, and between a policy of decentralization and a desire for savings from increased use of common services. Too much centralization can lead to cumbersome decision-making and management structures, which are not sufficiently responsive to changes in the environment. The smaller technical agencies, in particular, have expressed concerns about new oversight layers that might well produce inefficiencies, excessive administrative burdens, increased overhead costs and reduce performance.

IV. Specific comments

Expenditure and staffing trends

19. It should be noted that both in regard to expenditures and staffing (paras. 15 to 18 of the report), information on the Office of the United Nations High Commissioner for Refugees is provided *in toto*, that is, by aggregating data for its headquarters and for all of its field operations which account for about 80 per cent of the staff and even more in terms of expenditure. This may be confusing, especially in the context of the statement in paragraph 14 of the report about Geneva being the most expensive duty station, and data in figures 1 and 3 (a), giving the number of United Nations staff at Geneva. For the sake of clarity, it would have been more appropriate to provide separate figures for expenditures and staff at Geneva and in the field. It was done in figure 1 but not in figure 3 (a), where staff numbers for Geneva and the field are combined. It would also be interesting to know the impact of exchange rate movements on the cost data. The data on administrative costs and their ratios to overall budgets are not the most recent and thus do not properly reflect recent reform measures, such as those implemented by the World Health Organization.

Support costs of the Economic Commission for Europe

20. While factually correct in terms of numbers, the discussion of the support costs of the Economic Commission for Europe (ECE) (see para. 22 and figure 6 of the report) could have benefited from some explanations as to the reasons for such a discrepancy between ECE and other regional commissions. From the administrative standpoint, support to ECE is operating along the lines of an executive office at Headquarters, while other regional commissions, having no other provider of support services at their respective locations, had no choice but to set up their own arrangements. In fact, a more appropriate comparison would have been between ECE programme support and the comparable element (i.e., executive office) of a department at Headquarters. For example, for the Department of Political Affairs of the United Nations Secretariat, programme support for the period 1998-1999 accounted for 7.5 per cent of the total costs for the department and comprised 4.4 per cent of the total costs for the Office of Legal Affairs.

Intergovernmental mechanism for common services

21. While the comparison in paragraph 25 of the report between common services and common personnel standards is interesting, it may not be entirely accurate since there is a marked difference between the system-wide policy-making role of the International Civil Service Commission (ICSC) in regard to conditions of service and the provision of common services at various duty stations, each with its own specific features.

Support provided to the United Nations Environment Programme at Geneva

22. With regard to paragraph 34 of the report, it should be noted that discussions are currently taking place between the headquarters of the United Nations Environment Programme (UNEP) and the United Nations Office at Geneva as regards streamlining administrative and other common services so that such services would be provided by the Office to UNEP entities located at Geneva.

Common services

23. In connection with paragraph 41 of the report, it should be noted that shared common services for mail and management training are not in place at present at Geneva.

Pattern of common services

24. With regard to table 2 of the report, electronic services should be included in section A.3, which lists those services specific to United Nations entities. In fact, these services are provided by the Electronic Services Section to some specialized agencies. Similarly, under section B.1 of the table, on periodic formal meetings, the International Computing Centre should be added, as should the Technological Innovations Committee which coordinates standards for hardware and software for 16 United Nations entities that are members of the Committee.

Pattern of administrative coordination

25. In paragraphs 42 to 44 and figure 8 of the report, the Inspectors provide the description of the pattern of administrative cooperation and coordination but do not address the reasons for the different levels of services provided by the United Nations Office at Geneva to entities which are part of the Secretariat (ECE, the Office of the United Nations High Commissioner for Human Rights, the United Nations Conference on Trade and Development), to the semi-autonomous United Nations funds and programmes (the Office of the United Nations High Commissioner for Refugees (UNHCR), UNEP, the United Nations Development Programme, the United Nations Children's Fund) and to specialized organizations and agencies. In this connection, it should be noted that the high level of the delegated authority to funds and programmes resulted in a reduced need for common services. Thus, for example, full delegation of authority on budgetary and personnel matters to the High Commissioner for Refugees has brought about a number of specific practical arrangements linked to the field-oriented nature of her Office. This distinct specificity presents a number of obstacles to the integration of the personnel services of the Office of the High Commissioner and the United Nations Office at Geneva and puts into question any possible economies of scale from such integration.

26. In addition, the impact that the introduction of the Integrated Management Information System (IMIS) would have with regard to providing relevant common services should be taken into account, since not all organizations (notably UNHCR) will be adopting IMIS. This will affect the type of common services that the United Nations Office at Geneva can provide to those entities not using IMIS, in particular as regards payroll and finance.

User satisfaction

27. The Secretary-General notes with concern a rather negative assessment, in paragraph 46 of the report, of the quality and timeliness of services provided by the Division of Administration of the United Nations Office at Geneva, which seems to be based entirely on anecdotal evidence and non-specific comments from an unidentified sample of users. No attempt was made by Inspectors to document these statements, or to determine how representative they were, or to analyse the reasons for user dissatisfaction. It should be noted that such criticisms might be equally construed, in some cases, as pretexts for increased independence and building self-contained entities. This impressionistic assessment does not compare well with the more thorough and detailed analysis of quality and efficiency of common services at United Nations Headquarters, as rated by users, which was provided in the report of the Joint Inspection Unit on common services at United Nations Headquarters (A/51/686, para. 58 and table 4). Following the analytical approach of the previous report would have allowed for

a better perspective of the user satisfaction with the services of the United Nations Office at Geneva.

Intergovernmental organ

28. While it is true that there is no intergovernmental body at Geneva to monitor specifically the performance and projects of the Office (para. 47 of the report), it should not be overlooked that the Office is an integral part of the United Nations Secretariat and, as such, monitored very closely by the Fifth Committee of the General Assembly and the Advisory Committee on Administrative and Budgetary Questions, especially during budget review exercises and in performance reports.

Management of common services

29. Footnote 1 to table 4 of the report should have explained that the Joint Purchase Service is not under the aegis of the Division of Administration of the United Nations Office at Geneva but rather is a users committee. Its Board met in October 1997 and its subcommittee on 24 March and 4 and 19 June 1998.

International Trade Centre

30. With regard to paragraphs 50 and 51 of the report, the situation has markedly changed in the 24 years since the comments were made concerning the International Trade Centre (ITC): ITC appears more and more interested in participating in a number of common service arrangements.

Grade structure

31. In regard to the appropriate levels for the heads of administration and personnel at the United Nations Office at Geneva (paras. 54 to 56 of the report) it should be recalled that the grade levels of posts in the Secretariat, including senior levels, are determined on the basis of classification standards elaborated by ICSC. Concerning other agencies located at Geneva, their heads of administration and personnel have major policy-making responsibilities and representative responsibilities in regard to joint bodies, such as the Consultative Committee on Administrative Questions, ICSC and the Pension Fund. Such responsibilities for the Secretariat are located appropriately at Headquarters. Since the responsibilities of the heads of administration and personnel at Geneva are largely administrative in nature, there is a substantive difference in the level of functions being performed vis-à-vis their counterparts at other agencies. This, however, has never been an impediment to the ability of managers at the United Nations Office at Geneva to cooperate and negotiate with their counterparts in other Geneva-based organizations.

Organization

32. With regard to paragraphs 57 to 59 of the report, it should be noted that, from a budget standpoint, resources are provided at section or unit levels where the accountability lies and that, furthermore, organigrams of the respective services delineate staffing and lines of responsibility at the level of bottom-line units and activity managers, thus ensuring the necessary focus on the units and staff providing the services. The United Nations Office at Geneva is mindful of the need to rationalize and compress vertical levels and to reduce the time needed for decision-making and processing, and is pursuing these goals in the context of the current review of common services at the Office.

Design and operation

33. The United Nations Office at Geneva has taken note of the Inspectors' observation in paragraphs 60 to 62 of the report concerning the lack of a user-friendly approach in the delivery of services. In this regard, round-table meetings are being organized with users to discuss shortcomings and the improvements needed. On the specific issue of a subsidy from the regular budget, it should be noted that the General Assembly, in successive resolutions, expressly stipulated that the regular budget should not subsidize extrabudgetary activities. Insofar as delinking, the United Nations Office at Geneva has recently had discussions with a number of users, such as UNHCR and ITC, and the trend seems to be in reverse as they express interest in joining a number of activities.

Staffing

34. With regard to paragraphs 63 and 64 of the report, the staffing trend at the United Nations Office at Geneva over the past years is in line with the overall situation in the Secretariat and in other agencies; post reductions reflect the policy of Member States of demanding that the United Nations accomplish its mandate in a more efficient and cost-effective manner. It should be recalled that further reductions in administrative costs are envisaged, so that funding could be redeployed from administrative to substantive areas. At the same time, the introduction of new technologies along with efficiency gains has offset the reduction in the workforce.

Technological innovations

35. It should be noted that the Technological Innovations Committee has been in place at Geneva for over 10 years. It includes representatives of users of all United Nations entities and is very active in promulgating common standards and tackling in a unified manner all practical and policy problems of information technology. For example, the Committee has taken the lead in dealing with the year 2000 problem on a system-wide basis. Its determination of common standards for electronic equipment has led to the introduction of volume purchase agreements for equipment at the United Nations Office at Geneva, resulting in drastic cost reductions.

36. Also of note is the effort undertaken jointly by all organizations at Geneva, under the aegis of the International Telecommunication Union and the United Nations Office at Geneva, to provide training in computer use for all diplomatic missions that are connected to the Intranet and Internet.

Reimbursement for services

37. In paragraphs 70 to 73 of its report, the Joint Inspection Unit is sharply critical of the costing and billing methods used by the United Nations Office at Geneva for reimbursement of its services and of the related performance indicators and benchmarks. It should be noted that these conclusions are at variance with the most recent assessment by the United Nations Board of Auditors,[1] which found that the United Nations Office at Geneva collected data on the use by organizations of reimbursable services and applied standard unit costs to calculate the charge. Geneva had based its approach on that used by United Nations Headquarters, with some tailoring to meet its specific needs. The Board reviewed this approach and concluded that it provided a reasonable and transparent base for the recovery of service costs. The analysis by the Inspectors could have taken advantage of the findings and observations of the Board of Auditors.

38. The above comments notwithstanding, the United Nations Office at Geneva recognizes the importance of establishing reliable and transparent performance indicators and benchmarks which would ensure that services are billed not only in relation to workload data but also reflect adequate and acceptable standards. The United Nations Office at Geneva is therefore striving to establish, as recommended by the Board of Auditors,[2] a standard set of key performance indicators and benchmarks for the common services that it provides. This exercise is also in line with one of the general guidelines recommended by the Inspectors regarding competitiveness with external service providers and the need for internal and external quality audits and benchmarking (see para. 83 (c) of the report). A similar exercise is under way with regard to common services at Headquarters.

39. It should be noted that the United Nations has not reached the stage when regular budgetary funds are allocated to the departments to purchase common services. Thus, only extrabudgetary users are currently billed. The proposal of the Inspectors to assign funds to the departments and to have common services budgets driven by demand will be examined in the context of the introduction of results-based budgeting.

40. The comment regarding the charge-back system used by the Pouch Unit is not entirely accurate. While statistics are indeed maintained for all users, charge-back or recovery of costs is only applied to extrabudgetary users.

Ownership committee

41. It should be recalled that, some five years ago, the Director-General of the United Nations Office at Geneva initiated the round-table discussions in which representatives of all United Nations entities located at Geneva meet on a regular basis to discuss common problems in administration and conference services.

The proposed ownership committee would be in fact a high-level round-table, bringing together the heads of the Geneva-based United Nations entities twice a year. From a functional perspective, this round-table mechanism could perform a similar function to the Task Force on Common Services which meets regularly at Headquarters. This inter-agency coordinating mechanism has proved to be beneficial in the effort to achieve efficiencies in common services as major progress in the various technical areas is attained. Achievements have been realized in areas such as the reform of procurement policies, proposals to establish common archives, inter-agency IMIS governance, harmonization in the implementation of staff entitlements and joint negotiations on travel agency arrangements. The willingness of each organization to find the benefit of the common services approach has been the key factor in attaining these achievements at Headquarters. Through the positive synergy that has been established among the organizations, the common services group has made further linkages between the efforts made at the United Nations Office at Geneva and other locations away from Headquarters.

General guidelines

42. The guidelines identified in paragraphs 82 to 84 of the report appear to be geared to a cooperative-type arrangement for common services. Such an approach has its own merits but is not the only way to organize common services, especially when all users do not have the same needs for a given service. Another approach can be considered as well: namely, an independent common service entity which would provide reimbursable services to users which would then be able to decide, on the basis of quality and cost efficiency, whether to use such services or not. It should be noted that these two approaches would entail a different set-up in terms of regular budgetary resources for common services; the allocation of such resources would be made directly to departments which would then be able to buy common services either from the cooperative or from the independent common services provider, or even from an external source.

Redeployments to the office of the Director-General

43. In paragraph 89 (a) of the report, the Inspectors recommend redeploying a number of services (electronic services, the United Nations Information Service, technical innovation and integration functions and the Security and Safety Section) to the office of the Director-General at Geneva. This would place a number of line functions in that office, while leaving other administrative and conference service functions in other areas. It is not clear from the report how the relationship between these presumably separate groupings of common services providers is envisioned. In this regard, it should be noted that the present structure already delegates to the Director-General at Geneva overall authority with regard to administration, finance, personnel and common services, and it would therefore be redundant to place a number of specific line functions and related activities in his office.

International Labour Organization and World Health Organization centre and International Telecommunication Union, World Intellectual Property Organization and World Meteorological Organization centre

44. With regard to recommendations contained in subparagraphs (b) and (c) of paragraph 89 of the report, members of the Administrative Committee on Coordination noted that the same firm provides catering service to both the International Labour Organization (ILO) and WHO under separate contracts. It is not evident that having one contract for both agencies would necessarily be more advantageous. In general, it is easier to coordinate approaches and reach agreements on services that can be outsourced. While all organizations will consider any new proposal that might offer an improvement in the services that they receive or a reduction in their cost, the extent to which that would be achieved by using the proposed structure is not clear. More in-depth studies of the advantages and disadvantages of this approach are required. More attention should also be given to the possibility of inter-agency coordination that goes far beyond independent activities but yet stops short of pooling services in one common provider structure. For example, ILO, WHO and the United Nations Office at

Geneva have cooperated in the development of a new computer system for the processing and analysis of health insurance data, with appropriate adaptation of the system to the specific needs of each organization.

Staff savings

45. With regard to paragraph 95 of the report, members of the Administrative Committee on Coordination point out that the organizations of the system are constantly striving for efficiency and to save costs. A number of organizations have recently made major structural changes to that end. The report of the Joint Inspection Unit does not provide sufficient detail to explain the cost elements and calculation of the potential cost savings identified. A more detailed and substantive analysis would therefore be necessary to justify the conclusions in paragraph 95.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, para. 129.

[2] Ibid., para. 138.